Economic Conditions
Governmental Finance
United States Securities

NEW YORK, FEBRUARY, 1918.

Money Market.

THE money market has not shown the degree of relaxation which had been hoped for following January 1st and after the completion of payments upon the Second Liberty Loan. To be sure these payments were accomplished with remarkable ease, considering their magnitude, and the bank statements show only moderate loans on that account, but other loans and discounts are very high and showing little tendency to decline, although this is the season of the year when they usually work lower.

Although interest rates are about the same as a month ago there is less flexibility in the situation. The banks are taking care of the requirements of customers, but doing little beyond this, and the effect of this situation is to keep borrowing within channels, and eventually to make conditions less liquid. If interest rates followed the course of commodity prices they might easily be much higher, and it is a question whether they ought not to be higher as a restraining influence. The fact that interest rates do not rise with the demand for commodities and prices encourages business expansion, which would be beneficial if it resulted in a real expansion of production, but the chief effect now is upon prices. The banks, however, are reluctant to raise rates above the accustomed levels, and would be subjected to criticism if they did. The Federal reserve banks are expected to take the lead in making policies, and in November and December a general increase of about ½ per cent. was put into effect. The Boston reserve bank is maintaining a rate of 5 per cent. upon discounts of 16 to 90 days, against 4½ at the other reserve banks on 16 to 60 day paper, and 4½ at all but the Chicago and Minneapolis banks on 61 to 90 day paper.

Call money rates in New York have been governed by the transfers between the banks and the Treasury, ranging from 3 to 6 per cent. The payments upon the last installment of the Second Liberty loan amounted for the whole country to about $350,000,000, and the drafts drawn by the interior upon New York were promptly offset by transfers through the Gold Settlement fund from the other reserve banks to the New York bank.

The attention of individuals and officers of corporations having heavy taxes to pay next June is again directed to the importance of making provision for the means of payment at an early day. If they expect to borrow the requisite funds on the last day in the afternoon they may have an unpleasant experience, for no one can tell how many of such cases there will be. The offering of 4 per cent. Treasury Certificates due June 25 is well suited to this purpose, but in any event some arrangement should be made in ample time.

London Money Market.

It is a noteworthy fact that money is easier in London than in New York, and that the market rate in London is now lower than at any time in 1916 or 1917, 4 per cent. being the present Bank of England rate to clearing house banks. The rate on Treasury 3 and 6 months bills was reduced from 4¾ per cent. to 4 per cent. on December 27th. Three years ago, when our Federal Reserve Board inaugurated the campaign to create a discount market here for foreign trade acceptances, the New York rate on that class of paper was 2 to 2½ per cent. and the London rate was 5 per cent., but the New York rate has advanced to 4 to 4½ per cent. and the London quotation has fallen to 3 15-16 to 4 1-16.

This seems to be an extraordinary situation, after England has been 3½ years at war, and has raised and spent about $24,000,000,000 of new money. We must conclude that the demand for credit for business uses is lighter there than in the United States, doubtless because of more stringent control over industry. An individual cannot employ money or labor in England for any purpose he chooses and it is time to think about the same policy here.

Bank of England, 4 Years.

In this connection it is interesting to review the condition of the Bank of England as shown by the first statement in January for four years, and the figures are given below, to-

gether with the market rate for 3 months bills, and amount of Exchequer notes outstanding:

	1915	1916	1917	1918
Circulation ..	£35,876,575	£35,194,245	£39,895,160	£46,591,020
Public deposits	23,808,643	58,156,684	53,147,093	32,074,902
Other deposits	133,348,529	105,835,576	116,388,305	158,411,326
Government Securities..	14,810,845	32,840,016	62,187,545	70,833,770
Other Securities..	108,921,870	114,748,048	91,789,493	106,480,723
Reserve in bank'g dept.	51,421,918	34,358,315	33,572,304	31,057,820
Coin and bullion	68,848,493	51,102,580	54,957,464	59,198,840
Proportion of reserve to liabilities ..	32¾	21	19¾	16¼
Bank rate of discount ...	5 per cent.	5 per cent.	6 per cent.	5 per cent.
Market rate 4 mos. bills...	2 15-16	5½	5¼	4
Exchequer currency notes in circulat'n	38,478,164	103,125,099	150,144,177	212,450,951

The classifications, "Government securities" and "other securities" describe collateral loans. It will be noted that the increase of all loans in three years is only about £54,000,000, or approximately $250,000,000, which is not large in view of the magnitude of financial operations, and the increase of deposits is less, but the financial critics are attacking the Treasury management for using too much bank credit. The figures should interest Americans who contend that the banks must finance the war. The only sign which seems to tell of inflation in large degree, is the increase of exchequer currency notes, of which about $1,000,000,000 are now outstanding. These notes have not been issued in payment of government expenses, but to the banks in exchange for gold and Bank of England notes and it is claimed that they have been needed to take the place of gold in circulation and to provide the larger amount of currency required by the higher prices and intense industrial activity.

Coincident with the reduction of the rate of interest on British Treasury bills interest rates on bank deposits in London were dropped to 3½ per cent., except to foreign depositors, who will continue to receive 4½ per cent. This is for the purpose of retaining foreign deposits.

Banking Conditions.

The Federal reserve banks show a slight reduction of re-discounts from the high point, bill holdings on January 25 aggregating $901,574,000, against $961,852,000 on November 30. Some of this was due to the payment of loans made upon Treasury certificates which were retired. Bill holdings a year ago were $113,408,000. Total earning assets January 25 were $1,029,670,000, against $181,426,000 a year ago. It is instructive to compare this expansion with the Bank of England changes shown above. The combined reserve of the twelve banks is 65.4 per cent. of deposit and note liabilities.

The reports of member banks of the leading banking centers of the country, inaugurated by the Federal Reserve Board, in December show comparative condition on December 7 and January 18 as follows:

	Dec. 7 (607 banks)	Jan. 18 (662 banks)
U. S. Securities owned............	$1,763,125,000	$935,794,000
Loans secured by U. S. bonds and certificates	373,517,000	381,310,000
All other loans and investments....	9,542,255,000	9,958,227,000
Reserve with Federal reserve banks.	1,137,765,000	1,147,274,000
Cash in vault	388,228,000	394,856,000
Net demand in deposits on which reserve is computed............	8,390,965,000	8,901,939,000
Time deposits	1,259,906,000	1,361,800,000

Considering the larger number of banks reporting in January this shows a fair reduction of loans based on United States securities. The reduction in United States securities owned is due largely to the payment of Treasury certificates. The total amount of Government securities owned may be compared with $768,144,000 owned by all national banks on May 1, 1917, before the war loan was issued.

The representative character of these reporting banks is shown by comparing their demand deposits, which aggregate $8,901,939,000, with the deposits of all national banks on September 11 last, which were $7,679,370,000.

Banking Expansion.

The banking expansion which has taken place since the close of the year 1914 is indicated by the following condensed statement of the deposits, loans, and holdings of United States and other securities of national banks at the dates given:

In thousands of dollars, 000 omitted.

	Dec. 31, 1914	Nov. 10, 1915	Nov. 17, 1916	Nov. 20, 1917
Deposits, net, on which reserve is computed	$6,668,325	$8,256,662	$9,976,980	$10,348,806
Loans and discounts, including overdrafts	6,363,435	7,241,140	8,355,101	9,550,571
U. S. bonds......	791,995	777,765	724,473	†2,354,183
Other stocks, bonds and securities*..	1,313,787	1,343,822	1,747,794	1,949,619

* Exclusive of Federal Reserve Bank stock.

† Includes United States certificates of indebtedness and payments on account of subscription for Liberty loan bonds.

The principal items of the weekly statement of the Clearing House banks of New York are given below for the dates stated:

	Jan. 26, 1918	Dec. 1, 1917	Dec. 30, 1916
Loans, investments, etc., ...	$4,113,882,000	$4,838,935,000	$3,339,450,000
Net demand deposits	3,666,713,000	3,465,325,000	3,334,272,000
Net Gov't deposits.	243,546,000	931,155,000	*............
Cash and reserves..	690,318,000	723,703,000	691,842,000
Excess reserve	96,681,750	152,122,000	117,335,000

* Not reported in Clearing House statement.

The increase of loans and investments shown by these figures has been mainly due to holdings of Government securities, principally Treasury certificates.

The deposits, loans and discounts and cash resources of all banks of St. Paul and Minneapolis, for the dates stated, are given below, as an indication of banking conditions in that section of the country:

	Dec. 31, '17	Nov. 20, '17	Dec. 27, '16
Deposits	$308,084,000	$310,659,000	$245,342,000
Loans and discounts....	198,063,000	204,340,000	186,575,000
Cash resources	94,079,000	83,159,000	72,829,000

These figures show a decided gain of deposits and cash resources over a year ago, with a small increase of loans, a very satisfactory showing.

Bank Credit and The Bond Issues.

With another bond issue looming up for the early Spring, and little prospect of a reduction of bank loans in the meantime, there is more talk to the effect that the banks will have to be a larger factor from now on in Government financing. Business men say that with the high prices they are needing all their capital in their own business, and bankers say that it is taxing their resources to take care of their home demands and they think they will have to pass all subscriptions up to the reserve banks to be carried. All of which means that we have not yet comprehended that the war is of first, not secondary, importance. We will never make a success of it by giving it what time, money and labor we have left over after the home demands are satisfied.

The Federal Reserve authorities have repeatedly shown anxiety that bank loans shall be kept down, and that the public shall be impressed with the necessity of curtailing private enterprises and expenditures and paying up on the bond subscriptions. But there is something so plausible and insidious about the idea of financing the war by having the banks create new credit that the stern alternative of cutting down the use of credit for other purposes, and of curtailing all business but that which supports the war, has a poor chance of popular favor beside it.

What is the objection to a pyramid of credit, based upon government bonds, and consisting, first, of individual credit, second, of member bank credit and, finally, of reserve bank credit, all backed by the taxing power and the power to issue money? What can be better than such a combination as this? Why not finance the war in this way?

The answer is that this pyramid of credit cannot add one day's work to the industrial resources of the country. The entire program upon which the Government is proposing to spend about $20,000,000,000 this year is all a matter of a days' works. In times of peace the labor of the country is employed in private operations. The production consists in part of necessaries for immediate consumption, in part of luxuries, and in part of additions to the productive equipment. Now comes the war, and the Government wants to take over a great portion of the working force, and also asks the people to turn into the Treasury money enough to pay it. The rational way of complying with this request would seem to be, first, cut out the production of luxuries or non-essentials; second, cut down the additions to permanent improvements and equipment, restricting them to such only as will aid in carrying on the war and the essential industries; third, keep enough people employed upon necessaries to support the country and the army, and put all the others on war work; fourth, turn into the Treasury through taxes and loans the money which was previously paid to these people now released from private service to war work; since we are no longer expending it in the old way we can let the Government have the use of it. The account balances. The country has simply diverted purchasing power from one class of work to another.

The other way of meeting the Government's appeal for help is to say, as considerately as possible, and with all possible assurance of patriotism, that we are sure that if allowed to continue our industries and occupations as usual we will be able to do a great deal more for the Government than we possibly can if we are interfered with; therefore, we offer to cooperate in getting up this pyramid of credit, and challenge the world to show wherein this credit is defective or insufficient. We, as individuals, will give our notes to our bankers, the latter will lend us the credit with which to buy Government bonds, and we will deposit the bonds with our notes as collateral security; the bankers can re-discount these notes at the Federal reserve banks, and thus recoup themselves for the advances they have made; and, finally, the Federal reserve banks, on the strength of the Government bonds in their possession, and by virtue of the power to issue money, can furnish the currency to pay all bills.

The object of this elaborate scheme—this pyramid of credit—is to supply the Government with the means to go off and fight the war by itself, leaving us, the people, to go on with business as usual, undisturbed. The only weakness in the scheme is that it does not provide the Government with army, navy or equipment. These can be had only by taking men—labor—out of peace employments and placing them in the employ of the Government. But when this is done, they go off our private pay-rolls and upon the Government's pay-rolls, and if we will now pay into the Treasury what we formerly paid to them, or for the things they were making, there will be no need for a pyramid of credit.

Government Demands Unlimited.

There is a theory that this war task can be somehow handled by increased energy and out of resources heretofore in reserve. But the demands of the Government are very elastic; they amount to all it can get. The more men we can send to France the better, the more cannon we can put on the line the better, the more ships and aeroplanes and supplies of infinite variety we can send, the better. And finally the more people we can keep on the farms and send back to the farms, the better. There was 15% less hired labor on the farms of New York State in April, 1917, than the year before, and still less now. It is said that people cannot change their occupations, that many are not adapted to the work now of pressing importance, but such comments only show that the imperative nature of war demands

are not understood. The people who utter them need to take a trip through the war zone and interview the inhabitants. They would come back with a different idea of the importance of keeping people in their accustomed occupations and of sustaining the luxury trades.

Expansion and Inflation.

We have attempted before to show the difference between expansion and inflation in the banking situation. The former results from taking up the slack in industry, increasing the activity and production of all branches, and some degree of increase in wages and prices which is incidental thereto and unavoidable. The condition of scarcity and abnormal demand created by the war, and the reaction of foreign markets upon our own, would inevitably cause a rise of materials and labor even though inflation did not follow.

But it is almost impossible to tell where legitimate expansion runs into inflation, and this is the peril of the situation. To the individual employer who sees an insistent unsatisfied demand for his goods at profitable prices it looks like legitimate expansion to borrow money to increase his output, but if he only accomplishes his increase by drawing labor away from some other equally essential industry, the country has gained nothing and inflation has begun.

It can hardly be questioned in view of labor conditions over the country and the increase of bank loans which has occurred in the last two years that a considerable degree of inflation has already occurred. Moreover, the condition of the railroads, with more business than they can handle, indicates that the expansion of industry for the present is up against a rather definite limitation in that quarter. Official reports to the effect that there is no shortage of labor in the country must be taken with many grains of allowance, as opposed to common knowledge.

The prices of the staple commodities show that the public is bidding against itself insistently. The review of the cotton goods market in 1917 by "Cotton" says:

> All previous records of sales were eclipsed. Cloth that had been bought very moderately for the fall season of 1917 at 9 cents and 10¼ cents, was sold for the spring season of 1918 to the fullest capacity of the largest mills at prices ranging from 16½ to 17½ cents. In the middle of December, when it became necessary to put prices on gingham lines for fall, 1918, these lines were priced at 22½ cents and 23½ cents. The well known Amoskeag 19,000 range shirting chambray was priced for fall, 1918, at 25 cents a yard, net. In early 1915, the same cloth sold as low as 6½ cents. The curious part of the situation was that the demands at the top prices indicated were less easily satisfied than the calls made for the goods at the low prices.

In the knit goods section the same publication says:

> Buyers in the main took as many dozens as a year ago, notwithstanding the almost criminally high prices forced on manufacturers by higher operating costs and the ascendency of yarns. A specimen radical advance is shown in a line of ribbed shirts and drawers which sold normally at $1.92½ a dozen and is selling now at $5.25. In November, 1916, buyers raised the cry that the consumer would not stand for the high prices which the distributors then paid with much reluctance. The buyers were wrong. Not only is business going along "as usual" measured in dozens, but there is a strong leaning toward the better grades at prices higher than ever before were heard.

The Boston Commercial Bulletin in its annual review of the wool trade (1917) says:

> On the first of January, 1914, fine staple territory wools were quotable at 51 cents, clean basis; the following January 1, they were worth 63 cents; two years ago, they had risen to 75 cents and a year ago to $1.10, while the current quotation is from $1.85 to $1.90.

The New York *Journal of Commerce* of January 29, 1918, says:

> During the past two weeks, while the markets have been filled with dry goods buyers, it has been made clear that merchants are thinking more of credits and production than of distribution and consumption. The anxiety to get orders entered with mills for goods to be made for fall delivery has been unlike anything the present generation of merchants has encountered in previous experience. Knowing that mills cannot possibly turn out as many goods this year as last year, buyers have gone on laying down larger orders than a year ago and have been filing statements to show that the need of more goods is genuine and not based upon speculative hopes. How the goods will be paid for appears to have been settled in the minds of the buyers, or at least they have quibbled less about high prices than they do normally about low prices.

The same situation exists in practically all lines of commodities. The country is trying to solve the problem of a shortage of goods by raising prices and wages. Each individual thinks he can solve his own part of it that way, but the only real solution is by adapting consumption to supply and by curtailing production in some lines in order that there may be more labor in other lines.

Prices and Credit Related.

It is said that there must be more credit in order that business can be handled upon this price level, but prices and the supply of credit act and react upon each other. More credit means more facilities to the public for bidding against itself. When facilities for making purchases increase faster than the facilities for making goods, with a demand situation like the present, any amount of credit will be absorbed. Legitimate expansion becomes pure inflation.

When credit is placed at the disposal of the Government, or created by the Government for its own use, and checked over to individuals in payment for commodities or services, it continues to be purchasing power in the hands of the recipients, and when they pass it on it enters into bank deposits and general circulation as new purchasing power, and is never extinguished until this process of circulation is stopped by the cancellation of an equal amount of indebtedness and bank deposits.

The new purchasing power put into circulation by Government operations and remaining in circulation, supports competition with the Government for labor and supplies, increases the cost of everything it must buy, decreases the purchasing power of its income from taxes and bond sales, compels a corresponding increase of taxation and loans, makes a greater debt to be carried after the war, probably for a long period, and when the earnings and profits of tax-payers are likely to be much lower than in war time. Furthermore, it promotes the creation of a great body of private indebtedness which will have to be worked out after the war under similar onerous conditions.

It is especially important that these principles shall be clearly comprehended by the bankers of the country in order that the policies of the Federal Reserve Board and of the Treasury Department shall have intelligent interpretation and support throughout the banking system. It is recognized that there must be a large amount of borrowing for the loans; temporary accommodations must be freely extended, but the fact that the Government requires real capital must be brought home to the people. If it is necessary to extend credit to promote subscriptions to the Government loans, then an effort should be made to curtail the use of credit in other directions, so that borrowing in the aggregate will be kept down. If the industries are to be largely occupied with war work it should be possible to reduce the volume of borrowing for other uses, and it is the duty of bankers to see that enterprises which are not essential to the public interests at this time, are not allowed to absorb funds. Credit is to be dealt out on the same principle upon which coal is allotted, with a realization that the supply is limited and every dollar is needed.

The vast expenditures of the Government at a high level of prices and wages, and with employment running full and over, in itself creates a demand for things for private consumption which if it has free play will interfere with Government operations. It will be admitted that it is not possible to have such a complete adaptation of industry as will subordinate all private actions to the Government needs. Some degree of inflation is inevitable, but the less there is of it the better. The further along we get the more clearly it appears that the directing hand of the Government is required throughout the task, substituting war work for non-essential work by distributing contracts in such a way that the existing industrial organization will be utilized and the supply of non-essential things thus definitely curtailed at the source.

Corporate and Private Financing.

The needs of the Government for capital have created a difficult situation for all borrowers who must look to the general market for funds, and have made it necessary that steps should be taken to have such cases passed upon by some competent authority. From one standpoint it is desirable to keep the market closed to efforts to raise money for unnecessary undertakings, and on the other hand it is equally important that corporate or private financing which is necessary to maintain the credit or efficiency of vital industries, or to extend or provide for essential public services, shall have proper attention.

The New York *Evening Post* has compiled a list of corporation obligations in sums of $500,000 and over, which will mature in the year 1918, amounting to $669,943,772, and divided as follows: Railroads, $259,775,238; Public Utilities, $214,661,080; Industrial and miscellaneous, $195,507,454.

Needs of Railroads.

The railroads are in the hands of the Government so far as operating policies are concerned, and this would seem to include the determination of expenditures for equipment and extension of facilities. Director-General McAdoo, however, has indicated that he expected the several companies to do their own necessary financing in the public market, and that the strong companies would be able to raise funds on the strength of the Government guaranty of earnings. This probably will be true of the companies whose guaranteed earnings are sufficient to meet the requirements. The pending railway bill carries an appropriation of $500,000,000 from which the President is authorized to "provide terminals, improvements, engines, rolling stock and other necessary equipment," but he may "also make, or order any carrier to make, any additions or improvements necessary." It is probable that those in good credit will be required to make their own terms in the public market and that the Government will give help where necessary and the public interest requires.

The Federal Reserve Board has announced a voluntary plan of organization for passing upon capital issues amounting to $500,000 or over in the case of corporations and $250,000 or over in the case of States, counties and municipalities. It has created a Capital Issues Committee, consisting of three members of the Board, and an Advisory Committee composed of three investment bankers, and all persons, firms, or corporations contemplating capital issues are invited to communicate voluntarily with the Capital Issues Committee. The latter and the Advisory Committee will undertake to pass only upon whether the object of a proposed undertaking is such as to entitle it to an opportunity upon the market at this time. Although the submission of projects to the Capital Issues Committee is voluntary unless Congress enacts legislation to make it compulsory, it is believed that it would be difficult to interest the public in an enterprise which did not have its approval.

The Capital Issues Committee will organize at each of the twelve Federal Reserve Banks local committees to furnish to it such additional in-

formation and recommendations as the Board may require in dealing with cases originating in the respective districts.

"War Finance Corporation."

The Secretary of the Treasury has prepared a bill for the creation of a new corporation, to be known as the "War Finance Corporation," which if adopted by Congress will not only have the power to license or refuse to license corporations desiring to place securities on the public market, but to supply credit for such purposes to an extent reaching startling figures. The Corporation is to be managed by a Board of Directors consisting of the Secretary of the Treasury and four appointed persons, and the capital is to be $500,000,000, all provided by an appropriation from the Treasury. The Corporation will be empowered to make advances for periods not exceeding five years, to banks which have outstanding loans to persons or industrial companies whose operations shall be necessary to or contributory to the war, and also, in exceptional cases, to make loans direct to such persons or companies; such loans not to exceed 75 per cent. of the value of the collateral furnished; also to make loans to savings banks for periods not exceeding 90 days, same to be covered by collateral to the extent of 125 per cent.

So much of the measure will be generally accepted as creating powers which it is desirable to have lodged in a Government Board, in view of the present extraordinary financial conditions, but the bill goes on to empower this Corporation to issue its interest-bearing notes in the exercise of its functions to the amount outstanding at any one time of eight times its capital, and to authorize the Federal reserve banks to deal in such notes in the same manner and to the same extent as bonds or notes of the United States not bearing the circulation privilege, and to rediscount or purchase paper secured by such notes in the same manner and to the same extent as paper secured by obligations of the United States, and with the approval of the Federal Reserve Board use these notes as the basis of currency issues. It is further provided in this connection that when Federal Reserve notes are issued for this purpose, a special interest charge may be made on them, in the discretion of the Federal Reserve Board. This is evidently for the purpose of exercising some degree of restraint over the volume of such issues, but it would be a very slight brake for a very heavy load on a very dangerous down-hill road.

These are extraordinary times and nobody wishes to withhold from the administration at Washington any degree of authority which may be necessary to secure the most effective mobilization and use of our resources during the war, but this measure clearly contemplates the use of credit in a manner and to a degree which in our opinion cannot be advantageous to the country under any conceivable circumstances.

Our views as to the use of bank credit or paper money in financing the war have been definitely expressed repeatedly, and are expressed elsewhere in this issue, so that it is unnecessary for us to go further here than to say that we do not believe there will be any occasion to inflate the credits of the reserve banks or the currency of the country to the extent indicated, or that it can be done without disastrous results. It is undoubtedly important to support the essential industries of the country and bring them to the highest possible efficiency, but the printing press is not an effectual agency for accomplishing that purpose. That end must be accomplished by organizing, coordinating and directing the industries and concentrating them upon war work.

Moreover, as this is the view which the Federal Reserve Board and the Secretary of the Treasury have tenaciously held and ably advocated in the past we feel bound to assume that they are not really intending to depart from it so far as the text of this measure would indicate. We think it a mistake to even countenance such a policy by providing for its possible adoption.

Emergency Currency Issues.

We recognize one condition under which it might be desirable that sound investment securities should be accepted by the reserve banks as the basis of loans and currency issues. That is in case of a great crisis which included a run on the member banks or savings banks by depositors. It is conceivable that this might occur at a time when in some localities the banks might not have an ample supply of the paper now defined as eligible for re-discount, in which case, and for no other purpose, the public interests would be served if municipal and railroad bonds and other high-class securities, were accepted. Not a few people regretted to see the Aldrich-Vreeland act expire completely, for this reason. The plan proposed by the National Monetary Commission provided for such issues under extraordinary conditions, by special permission of the Secretary of the Treasury.

There is a distinct difference, however, between the use of currency to pay off depositors and its use to increase the purchasing facilities of the community. When used to pay off depositors there is no inflation of credit, but merely a substitution of one form of credit for another, and it occurs at a time when contraction and liquidation are the order of the day.

The refunding of railway and other obligations maturing in the near future does not involve any serious competition with Government financing for they do not require a net amount of new capital. If they are paid off by fresh capital an equal amount of old capital is released. Their successful refunding is almost wholly a matter of interest rates, and a

guaranty by the War Finance Corporation or by the Government direct would certainly take care of such cases.

The only demands for capital which come into competition with the Government are those which require the investment of labor and materials and whatever hocus pocus may be resorted to for obtaining credit it is certain that labor and materials cannot be conjured up by legislation. They must be saved from other uses, and saving is not promoted by the mere expansion of credit.

Farm Loan Situation.

The Federal Farm Loan Board in its annual report issued last month represents that a serious situation exists in the farm loan field, in that not only the amount of new capital available for farm improvement is much restricted, but that an important amount of capital already invested in farm loans is being withdrawn, as maturities occur, for investment elsewhere. On account of the abnormal financial conditions, which have interfered with the introduction of Farm Loan bonds, and to supply capital for promptly relieving the situation the Board recommended that Congress authorize the Secretary of the Treasury to purchase $100,000,000 of Farm Loan bonds in each of the fiscal years ending June 30, 1918, and June 30, 1919. On the strength of these representations an act carrying out these recommendations has been passed.

The Farm Loan Board reported that applications had been filed for $210,750,740 of loans, and approved for $105,136,529 of them, and that loans had actually been completed for $29,824,-655. The method of making loans through co-operative associations is found to be somewhat cumbersome, and the cause of delay, but the Board recommends that it be tried for another year. The interest rate to borrowers has been raised to 5½ per cent.

Loan Maturities.

The extent to which investors will desire to shift their funds from farm mortgages to other securities is uncertain. Insurance companies are a very large factor in the farm loan situation, and it is not likely that they will make any radical change in their policies, although they may raise interest rates to correspond with the yield from other securities. The Farm Mortgage Bankers Association estimates that $800,-000,000 of farm mortgages mature annually, and one prominent authority estimates that 20 per cent. of the maturities will have to be paid or refunded. This would seem to present a serious situation, but it probably does not involve much more than an advance of the interest rate.

The market for loans upon city property is very much depressed, but aside from reductions which are required to bring loans into line with property values little is heard of compulsory payments.

Next Government Loan.

No decision has been announced as to the date, amount or terms of the next Liberty Loan. The Secretary of the Treasury has offered for sale $400,000,000 of Treasury Certificates, bearing 4 per cent interest, due April 22nd and convertible into the Third Liberty Loan, which has been taken as indicating that he expects to have the Loan closed before that date, and will probably open the campaign not later than March 15th.

The Secretary has repeated the statement that the Treasury will have to raise $10,000,000,000 by loans between now and July 1st, and in view of the huge tax payments which come in June the bonds will apparently have to be sold in one campaign. The total amount of Treasury Certificates permitted to be outstanding at one time under existing law is $4,000,000,000, and of these more than $1,000,000,000 are due on June 25th. The proceeds of these have been received and disbursed. This leaves only about $3,000,-000,000 of the certificates available to apply on the $10,000,000,000 requirement, but Congress may increase the authorization.

It is assumed that there will be new financial legislation before the next bond issue is announced. The amount of bonds remaining unsold under the existing authorization in only $3,-666,233,850, and, moreover, it is not likely that another offering will be made without changing the terms in some respects. The Second Liberty 4's are now selling on the market at about 96¼, and with the further decline opinion has grown that it will be advisable to raise the rate, or in any event change the terms in some manner which will improve their status. At 96¼ they yield a little under 4.25 per cent to the purchasers. A new issue might carry 4 per cent but be redeemable at a premium, or the time might be shortened and the rate raised.

Sales of 3½s and 4s.

The total sales of the Second 4's on the stock exchange since the trading in them began on November 3, up to and including January 26, was $90,238,000, and the total sales of first 4's (converted 3½'s) was $2,318,000. The aggregate sales of both classes of 4's, therefore, was $92,-556,000. These comparatively small offerings have broken the market, because normal demand was already more than satisfied. The figures will show the error of thinking that the individual who sells his bonds below cost is merely making a patriotic sacrifice at his own expense, and go far to answer the query whether a person should subscribe to help make up a quota and with the intention of selling as soon as subscriptions are closed. It is just as important to keep the bonds as it is to subscribe for them, and nothing is gained by not meeting the money-raising problem face to face. We say this with full appreci-

ation that these subscribers who expected to sell and accept a loss were actuated by a very commendable desire to help the cause.

Certificate Issues.

As the proceeds of the Second Liberty Loan have now been received in full and expended, the Treasury will be dependent for the next ten weeks or more mainly upon sales of Treasury Certificates, and it is desirable that these shall be stimulated. Heretofore, the New York banks have taken from 40 to 60 per cent. of each issue, not because they wanted so many, but because it was necessary to meet the needs of the Treasury. The Federal Reserve Board is now urging that each reserve bank present to the banks of its district the importance to the Treasury of a general response to these offerings, and the special advantages which they offer to the banks as short investments. They run only a few months and are a certain means of creating credit at the reserve banks. It is estimated that the Treasury will have to raise by this means approximately $300,000,000 per week until it begins to receive the proceeds of the next loan. The Governor of the Boston Reserve Bank having been appealed to by the Reserve Board to raise the quota for that district, and having conferred with the officials of the Boston Clearing House has issued a circular letter to the banks in that district, asking each bank to subscribe weekly to these successive issues an amount equal to 1½ per cent. of its total resources. In ten weeks subscriptions at this rate would amount in the aggregate to 15 per cent. of a bank's resources. The total resources of all the national banks, state banks and trust companies in the country are about $37,000,000,000 and of all national banks about $17,000,000,000. As complete voluntary compliance by all banks is not to be expected the proposal of a uniform subscription of 1½ per cent. of resources is a reasonable one. Governor Morss says, truly, that the Secretary of the Treasury has the right under existing conditions to ask the banks for this service. The certificates will be received in payment for subscriptions to the next loan, and by taking them in installments from week to week the bankers will be anticipating the loan subscriptions and handling the payments in the most convenient manner. If all bankers will participate as suggested, the situation can be handled without difficulty, but if many decline to do so they will throw an excessive burden upon the others. All of this is true and urgent. The greatest financial task ever undertaken by any nation is directly before the United States, and the first effort is up to the banks.

$10,000,000,000 in Five Months.

The task of raising $10,000,000,000 in the next five months, in addition to the payment of income and profit taxes, is something stupendous to contemplate. Moreover, it still perplexes the average man to figure out how this amount can be disbursed for services performed. Excluding taxes, the sum amounts to an average of $2,000,000,000 per month to July 1st. Of this, $500,000,000 per month is for the Allies, but as it will be expended in this country it need not be considered separately from our own disbursements. From July 1st to January the total disbursements aggregated $5,201,808,914 and for the month of January to and including the 28th they amounted to $1,013,857,304. It does not seem possible that the amount of work actually done between now and July 1st can call for $10,000,000,000, but work may be under way and partially completed which will bring the payments up to that sum. In that case, however, the payments, probably would be largely in reimbursement of bank advances, which would make the task in some degree easier.

We have maintained that the industrial end of the Government's undertakings is more problematical than the financial end, because in the nature of things, whatever work is actually done can be paid for, and in fact is already paid for, by somebody. The contractors, or whoever has loaned money to them, or sold things to them on credit, have paid for it. When goods have been delivered the cost of making them has evidently been borne by some one. What remains to be done, is to distribute the cost over the country and reimburse the people who have made the advances.

Foreign Exchanges.

The merchandise exports and imports of the United States for the last three calendar years compare as follows:

	1917.	1916.	1915.
Exports	$6,226,000,000	$5,480,900,931	$3,554,670,847
Imports	2,952,000,000	2,391,716,335	1,778,596,695
Excess imports...	$3,274,000,000	$3,089,184,596	$1,776,074,152

Imports and exports of gold in 1917 were as follows, by months:

1917:	Imports	Exports	Excess Imports
December	$2,500,000	$4,500,000	*$2,000,000
November	3,000,000	7,000,000	*4,000,000
October	4,000,000	11,000,000	*7,000,000
September	4,171,513	31,332,396	*27,160,883
August	18,692,170	46,049,306	*27,357,136
July	27,000,000	69,000,000	*42,000,000
June	91,000,000	67,000,000	24,000,000
May	52,000,000	58,000,000	*6,000,000
April	32,000,000	17,000,000	15,000,000
March	139,498,590	17,919,601	121,578,989
February	103,766,495	22,068,059	81,698,436
January	58,926,258	20,719,898	38,206,360
Total..........	$536,555,026	$371,589,260	$280,483,785

It will be seen that the heavy importations were in the early months of the year. In the latter part of the year the Government placed an embargo upon exportations, which was very effective. The understanding when the embargo was announced was that gold would be supplied to accommodate our necessary trade, but it will be seen that the amount of requirements adjudged necessary in the last three months was very small.

Abnormal Exchange Rates.

This policy has resulted in an abnormal state of affairs in the exchanges, the dollar being generally at a discount in the neutral countries. The Scandinavian exchanges have been at a premium of 20 to 25 per cent., Swiss 20 per cent., Holland 10 per cent., Spain 25 per cent., and Argentina 10 per cent. The situation as to Argentina has been most serious, because of our heavy importations of wool and hides from there, and absolutely required for our industries. Finally an agreement has been reached by the United States Government with the Government of Argentina by which the latter creates a bank credit in Buenos Aires through which obligations of United States importers may be liquidated. The Government of the United States gives assurance that this credit will be eventually satisfied by the movement of gold, but for the present United States merchants having payments to make in Argentina will pay the amount into the Federal Reserve Bank of New York, plus 3 per cent. to cover transportation and expense, for account of the Argentine government. This is an interesting situation, as the Argentine government, a borrower abroad, is virtually lending its credit to the United States, a neighborly and friendly act, mutually beneficial.

The Argentine government has entered upon a much larger credit operation with Great Britain and France for a similar purpose. These governments have agreed to purchase 2,500,000 tons of grain of the present harvest, and Argentina has agreed to open a credit of $100,000,000 for each country, to run for two years at 5 per cent. interest. Bonds of Great Britain and France will be deposited with the Argentine legations in London and Paris to the amount of the grain purchases. The loans will be ultimately satisfied by interest and dividend payments accruing to British and French investors in Argentine properties.

Rupee Exchange.

A similar arrangement has been accomplished between the United States and the Government of India. The latter created a credit of 10,000,000 rupees in favor of the Federal Reserve Bank of New York, and importers having obligations in India may pay the amount of same, at the rate of 34.50 cents to the rupee, into the Reserve Bank. The first credit was granted about December 1st and a second 10,000,000 rupees has now been granted. Eventually this credit will have to be liquidated in silver or gold, and negotiations have continued for several months between the United States Government, for itself, and the Government of Great Britain, and the leading silver producers of this country for the purpose of taking over the entire silver product of this country and Canada, and also with a view to obtaining legislation relative to the temporary use of the stock of silver dollars in the United States Treasury.

Treasury Silver.

These dollars—some 400,000,000—comprise the only large stock of silver metal in the world, and as they are represented in circulation by paper there have been persistent proposals to obtain their release, so that they could be used at their bullion value to settle the trade balances which exist against the United States and Great Britain and in favor of India, China and Japan. Unofficial reports have come from Washington from time to time that a plan was under consideration and likely to be agreed upon by which Federal reserve notes would be substituted in circulation for silver certificates, thus releasing the dollar pieces for export. New legislation would be necessary to allow the reserve banks to issue these notes in one and two dollar denominations, and in order to get this legislation from Congress without reviving the old silver issue it was considered necessary to provide that the Government should replace the dollars in the Treasury later, and protect the silver producers against an unfavorable effect upon prices by agreeing to take the entire production of the country for a given term at a price fixed in the act.

The Government of Great Britain was to join in the arrangement by taking 60,000,000 ounces per year. The price seems to have been the stumbling block. The producers have held out for $1 per ounce, which is objectionable to Great Britain as above the present Indian coinage rate.

Meanwhile our exchange position with Japan has been relieved by the latter country taking $40,000,000 of British Government obligations.

Federal Reserve Banks.

The events of the past year and policies adopted by the Federal Reserve Board have tended to increase the authority of the latter and to develop the system upon the practical basis of a Central Bank with branches. The power granted the Board to require one bank to re-discount for another has been exercised, and funds are readily shifted by means of the stock of gold held in the settlement fund at Washington. The Board states in its annual report recently issued that its policy is "to maintain an approximately uniform reserve position for all of the Federal Reserve Banks and to correct wherever necessary, by means of interbank rediscounts, the inequalities which result from seasonal movements of trade, or, more particularly, from the operations of Government financing."

The loans of each bank within its district are naturally subject to the general supervision of the Board merely as to character and rates, which is true in all branch bank systems, but

STATEMENT OF RESOURCES AND LIABILITIES OF EACH OF THE TWELVE FEDERAL RESERVE BANKS AT THE CLOSE OF BUSINESS JANUARY 25, 1918.

(In Thousands of Dollars)

RESOURCES	Boston	N. Y.	Phila.	Clev'd	Rich'd	Atlanta	Chicago	St. Louis	M'npl's	Kas.City	Dallas	S.Fr'sco	Total
Gold coin and certificates in vault	13.865	317.072	18,790	20.362	6.257	6,531	31.549	5,474	15.181	1.390	9.310	26.231	472,012
Gold Settlement Fund	34.290	97,111	37,196	40,184	12,367	16,893	39,014	26 656	14.554	24.635	19,368	25,942	388,210
Gold with foreign agencies	3.675	18.112	3.675	4,725	1.837	1.575	7,350	2.100	2.100	2,625	1.838	2 888	52.500
Total gold held by banks	51,830	432,295	59,661	65,271	20,461	24,999	77,913	34,230	31,835	28,650	30,516	55,061	912,722
Gold with Federal Reserve Agents	44 354	236.467	64.916	64,610	26,305	47,575	120,514	34,882	37,522	48,369	22.181	46,134	793.829
Gold Redemption Fund	2.000	10 000	1.500	61	251	1 483	815	888	1,159	465	1.253	81	19.956
Total gold reserves	98,184	678,762	126,077	129,942	47,017	74,057	199,242	70,000	70,516	77,484	53,950	101,276	1,726,507
Legal tender notes, Silver, etc	5.346	37,901	2,243	1.327	176	871	4.462	1,336	627	90	1,445	428	56,252
Total Reserves	103.530	716,663	128.320	131,269	47.193	74,928	203,704	71.336	71.143	77.574	55.395	101,704	1.782.759
Bills discounted, Members	52,814	222.620	33,810	49.360	32,254	11,348	110,924	29.966	13,140	32,545	9,499	29,352	627.662
Bills bought in open mark't	9,307	168,278	14.179	12.978	13.403	6.824	8,521	5.930	2 226	35	13.263	18 968	273 912
Total bills on hand	62,151	390,898	47,989	62,338	45,657	18,172	119,445	35,896	15,366	32,580	22,762	48,320	c 901,574
U. S. Governm't long-term securities	610	5,120	5,307	8,265	1,231	1,747	7,007	2,233	3,617	8,862	4,071	2,455	50,525
U.S. Governm't short-term securities	4,344	15,213	4,023	26,271	1,969	1,491	5,878	1,444	2,322	5,784	2,430	1,500	72.669
All other earning assets		511	10		66	608	1.651	280	1,003		707	66	4,902
Total Earning Assets	67,105	411,742	57,329	96.874	48.923	22,018	133.981	39.853	22,308	47,226	29,970	52.341	1.029.670
Due fr. other F. R. Bks. net		364		10.330	4.045		14.573	5,164		6.087	1,792	1.961	b 32.505
Uncollected Items	16.395	75.298	38,917	21.653	18,609	20,496	45.772	17,028	10,236	27.728	18,465	13,106	323.703
Total deduction from gross deposits	16,395	75,662	38,917	31,983	22,654	20,496	60,345	22,192	10,236	33,815	20,257	15 067	356,208
5% redemption fund against F. R. bank notes										400	137		537
All other resources					130	71							201
TOTAL RESOURCES	187,030	1.204,067	224.566	260.126	118 900	117.513	398,030	133,381	103.687	159.015	105.759	169.112	3,169.375
LIABILITIES													
Capital Paid in	5,929	19,212	6,775	8,221	3,736	2,855	9,170	3,481	2,651	3,396	2,796	4,217	72,439
Surplus	75	649			116	40	216		38				1.134
Government Deposits	5,247	16,227	10,970	20,899	6,134	5,280	13,603	11,619	7,943	11,038	10,274	16,457	135,691
Due to members—reserve account	79,295	680.314	84.061	110 521	42.979	37.696	173.351	49.015	38.814	73.366	42,147	69,184	1,480.743
Collection Items	12,480	55,906	29.025	15,206	12,792	11,675	18,793	12,840	3.573	7,551	5,830	9,284	194,955
Due to other F. R. Bk's net	7,832		2,084			225			1,670				
Other deposits incld'g. for Government credits		32.275		231		3	2.580	111	28	21		2.448	37,697
Total Gross Deposits	104,854	784,722	126,140	146,857	61,905	54,879	208,327	73,585	52,028	91,976	58,251	97,373	1,849,066
F. R. Notes in actual circulation	75,872	397,462	91,430	104,756	53,143	59,739	180,165	56,061	48,930	55,278	44,617	67,481	a 1,234,934
F. R. Bank Notes in circulation, net liability										8,000			8,000
All other Liabilities incl. Foreign Govern't credits	300	2.022	221	292			152	254	40	365	95	41	3,782
TOTAL LIABILITIES	187,030	1,204.067	224 566	260,126	118.900	117.513	393.030	133.381	103.687	159.015	105.759	109.112	3.169,375

(a) Total Reserve notes in circulation, 1,234.934.
(b) Difference between net amounts due from and net amounts due to other Federal Reserve Banks, 32,505: Ratio of gold reserves to net deposit and Federal Reserve note liabilities combined 63.3%. Ratio of total reserves to net deposit and Federal Reserve note liabilities combined 65.4%.
(c) Bills discounted and bought; municipal warrants: 1—15 days 390,361; 16—30 days 170,308; 31—60 days 203,570; 61—90 days 125,159; over 90 days 14,313. Total 903,711.

the twelve institutions are operated virtually as one, with headquarters at Washington. The Board in its recently issued report for the year 1917, makes it clear that the frequent meetings of officials of the Banks with the Board during the first two years of the system's operation were for the purpose of obtaining suggestions during the development of the system, but that the Board is now in position to exercise its authority freely. It says:

"The events of the past year have done much to bring into their proper relationship as parts of a working whole the several component elements of the Federal Reserve system. Experience has demonstrated that in all vital matters of general policy calling for prompt and decisive action concentration of responsibility without division of authority is indispensable. The position of the Federal Reserve Board, as the co-ordinating agency for all of the 12 banks and as the governing body of the Federal Reserve system, is now well defined and the line of distinction between the local management of each one of the 12 banks as a district bank, and the operation of all of the 12 banks as a system, has become more marked."

The change in credit conditions which has occurred since the United States entered the war has very much increased the earnings of the reserve banks, and they are now all on a profitable basis. Six of them have paid dividends to December 31, 1917, and of the others St. Louis and San Francisco have paid to December 31, 1916, and Philadelphia, Cleveland, Kansas City and Dallas to June 30, 1917. The six banks which have paid up all dividends in arrears have also paid into the United States Treasury sums aggregating $1,134,234, being one-half of their surplus earnings to December 31, 1917, as a franchise tax, in pursuance of law. The other one-half of surplus earnings will be carried to the surplus fund of each bank until this fund equals 40 per cent. of the bank's capital, after which all surplus earnings go to the Treasury. The earnings, expenses and dividends of these banks in 1917 are reported by the Federal Reserve Board as follows:

Fed. Res. Bk.	Gross earnings	Net earnings	Amount of dividends	Fully paid to—
Boston	$1,198,009	$912,294	$597,829	Dec. 31, 1917
New York	4,848,291	3,718,955	1,941,641	Do.
Philadelphia ...	1,015,958	753,874	622,150	June 30, 1917
Cleveland	1,297,244	963,152	715,615	Do.
Richmond	770,009	512,223	240,945	Dec. 31, 1917
Atlanta	541,823	327,313	215,972	Do.
Chicago	2,022,278	1,509,871	860,057	Do.
St. Louis	736,774	502,156	284,566	Dec. 31, 1916
Minneapolis ...	628,338	418,137	363,876	Dec. 31, 1917
Kansas City ...	955,950	684,499	360,236	June 30, 1917
Dallas	569,430	353,475	187,744	Do.
San Francisco..	854,755	547,044	394,490	Dec. 31, 1916
Total	$15,838,859	$11,202,993	*$6,785,121	

* Exclusive of $16,603, representing dividends paid on surrendered stock and miscellaneous adjustments in dividend account.

During the year branches have been established at Omaha by the Federal Reserve Bank of Kansas City, at Louisville by the Federal Reserve Bank of St. Louis, and at Portland, Seattle, and Spokane, by the Federal Reserve Bank of San Francisco, and are now in operation. The Board has, in addition, authorized the establishment of branches at Pittsburgh and Cincinnati by the Federal Reserve Bank of Cleveland, at Detroit by the Federal Reserve Bank of Chicago, at Baltimore by the Federal Reserve Bank of Richmond, and at Denver by the Federal Reserve Bank of Kansas City.

Bond Market.

The opening week of the year evidenced more activity in municipal, railroad, industrial and public utility bonds and a tendency toward slight improvement in prices. United States Steel 5s advanced over two points. This movement, however, was not sustained during the remaining weeks of the month and rails and industrials evidenced narrow price fluctuations.

The municipal market in the second week of the month showed signs of improvement as the result of a better inquiry from savings banks and investors. Dealers report their stocks low, and comparatively speaking there have been few offerings by municipalities. The closing week showed a still firmer tendency as the result of inquiries from institutions and investors.

Following is a list of the more important corporate issues offered:

$1,000,000 Kansas City Railways 6% Notes, due Dec. 1, 1919, @ 97¾ and interest, to yield 7¼%.

$1,360,000 Manchester (N. H.) Traction, Light & Power 6% Notes, due Jan. 1, 1920, @ 98 and interest, to yield 7%.

$1,500,000 United Light & Railways 6% Notes, due May 1, 1920, @ 96⅝ and interest, to yield 7½%.

$10,500,000 Toledo Traction, Light & Power 7% Bonds, due Jan. 1, 1920, @ 98½ and interest, to yield 7.82%.

$3,000,000 American Gas & Electric 6% Notes, due Jan. 1, 1920 and 1921, at prices to yield about 7½%.

$1,000,000 Nevada-California Electric Corp. 6% Notes, due Jan. 1, 1920, @ 97¼ and interest, to yield about 7½%.

$2,000,000 Kansas City Terminal Ry. 1st Mtge. 4% Bonds, due Jan. 1, 1960, @ 75½ and interest, to yield 5½%.

$1,500,000 Republic Railway & Light 6% Notes, due Jan. 1, 1920, at a price to yield 8%.

$1,000,000 Fall River Electric Light 7% Notes, due Jan. 15, 1920, @ 99¾ and interest, to yield about 7⅛%.

$6,000,000 Cuban American Sugar First Lien 6% Notes, due Jan. 1, 1919-1921, at prices to yield 6⅞% to 7⅜%.

$12,000,000 American Can Co. Serial Notes, due seven to ten months on a 7% discount basis.

$40,000,000 American Telephone & Telegraph 6% Notes, due Feb. 1, 1919, @ 99.05 and interest, to yield about 7%.

$3,000,000 Island Oil & Transport 7% Notes, due Sept. 1, 1920, @ 99 and interest, to yield about 7%.

$3,000,000 Monongahela Valley Traction 6% Notes, due Feb. 1, 1919, @ 99 and interest, to yield 7.05%.

$1,200,000 Bush Terminal 6% Notes, due March 15, 1918 to Dec. 15, 1920, at prices to yield 7.25%.

The more important municipal offerings for the month include:

$850,000 Hamilton County, Ohio, 30-year 5% Bonds, to yield 4.80%.

$1,500,000 Cleveland, Ohio, School District 5% Bonds, maturing 1 to 20 years, offered on a 4.75% and 4.80% basis.

$2,000,000 City of Newark, N. J. 6 months' Notes, offered on a 4¾% basis.

$600,000 Omaha, Nebraska, 20-year 4% Bonds, offered on a 4.85% basis.

$524,000 Hoboken, N. J., 5% Serial Bonds, offered on a 4.75% and 4.80% basis.

$600,000 City of Everett, Mass., 10 and 11 months' Notes, offered on a 4.90% to 5.10% basis.

$5,000,000 New York City 4 months' Revenue Notes, offered on a 4.25% to 4.30% Bank Discount basis.

The average price of 40 standard issues as reported by the *Wall Street Journal* on January 30 was 84.4, compared with 82.54 December 30, 1917, and 96.06 January 30, 1917.

International Banking Corporation.

The International Banking Corporation, affiliated with this bank, opened an office at Batavia, Java, Dutch East Indies, on January 1, 1918.

Discount Rates.

Discount rates of each Federal Reserve Bank approved by the Federal Reserve Board up to Jan. 31, 1918.

Federal Reserve Bank.	MATURITIES. Discounts. Within 15 days, including member banks' collateral notes.	16 to 60 days.	61 to 90 days.	Agricultural and live-stock paper over 90 days.	Secured by U. S. certificates of indebtedness or Liberty Loan bonds: Within 15 days, including member banks' collateral notes.	16 to 90 days.	Trade Acceptances. 1 to 60 days, inclusive	61 to 90 days, inclusive
Boston.......	4	5	5	5	3½	4	4½	4½
New York*..	3½	4½	4½	5	3½	4	4	4
Philadelphia	4	4½	4½	5	3½	4	4	4
Cleveland...	4	4½	4½	5	3½	4	4	4
Richmond...	4	4½	4½	4½	3½	4	4	4
Atlanta......	4	4½	4½	5	3½	4	4	4
Chicago......	4	4½	5	5½	3½	4	3½	4
St. Louis.....	4	4½	4½	5½	3½	4	4	4
Minneapolis.	4	4½	5	5½	3½	4	3½	4
Kansas City .	4	4½	4½	5	3½	4	4	4
Dallas	4	4½	4½	5	3½	4	3½	4
S'nFrancisco	4	4½	4½	5½	3½	4	4	4

*Rate of 3 to 4½ per cent for 1-day discounts in connection with the loan operations of the Government.

Note 1.—Rate for acceptance purchased in open market. 3 to 4½ per cent, except for Boston, Chicago, and Minneapolis, whose rates range from 3 to 5 per cent.

Note 2.—In case the 60-day trade acceptance rate is higher than the 15-day discount rate trade acceptances maturing within 15 days will be taken at the lower rate.